

Message Text

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R 182022Z AUG 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 8395
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
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. GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: POSSIBLE EC ACTION ON MILLING RESIDUES AND OTHER
FEEDGRAIN SUBSTITUTES

REF: (A) STATE 206285; (B) 77 BRUSSELS 14284;
(C) BRUSSELS 9192; (D) 76 EC A-114; (E) EC A-165;
(F) BRUSSELS 4825; (G) LONDON 12222; (H) HAGUE 4378;
(I) BONN 14908; (J) BRUSSELS 7101

1. SUMMARY: EC CONCERN WITH THE "FEEDGRAIN SUBSTITUTES
PROBLEM" HAS BUILT UP OVER THE PAST YEAR AND THERE IS NOW
STRONG PRESSURE FOR EC ACTION IN THIS AREA. COMMISSION
OFFICIALS ARE DUE TO SUBMIT A REPORT TO THE COUNCIL AT
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THE END OF SEPTEMBER ON THIS PROBLEM; WE ARE TOLD IT WILL
FOCUS HEAVILY ON MANIOC. INDEPENDENTLY OF THIS REPORT,
WE EXPECT THE COMMISSION TO TAKE MEASURES -- PROBABLY
NEAR THE END OF SEPTEMBER -- WHICH WOULD INCREASE IMPORT
LEVIES ON MILLING RESIDUES. THESE PRODUCTS ARE MOST
VULNERABLE TO EC ACTION AS THEY ARE NOT BOUND IN GATT.
EVENTUALLY, WE ALSO EXPECT THE EC TO MOVE AGAINST MANIOC -

PROBABLY VIA VOLUNTARY RESTRAINT ARRANGEMENTS. HOWEVER, WE FEEL THAT IT IS UNLIKELY THAT THE EC WILL PUT IMPORT RESTRICTIONS ON OTHER FEEDGRAIN SUBSTITUTE PRODUCTS. MISSION RECOMMENDS THAT REPRESENTATION BE MADE AT COMMISSION AND MEMBER STATE LEVEL EXPRESSING CONCERN OVER RUMORED INCREASES IN LEVIES ON MILLING RESIDUES AS WELL AS POSSIBLE RESTRICTIONS ON OTHER FEEDGRAIN SUBSTITUTES. END SUMMARY.

2. BACKGROUND: EC CONCERN WITH THE SO-CALLED FEEDGRAIN SUBSTITUTES PROBLEM BEGAN TO HEAT UP IN AUTUMN 1977. THE KEY FACTOR IN STIRRING EC DEBATE ON THIS ISSUE WAS THE FRENCH GOVERNMENT'S SUBMISSION OF A FORMAL NOTE TO THE COMMISSION EXPRESSING CONCERN ABOUT EC IMPORTS OF THESE PRODUCTS AND ASKING THE COMMISSION TO DEVELOP PROPOSALS AIMED AT INCREASING PROTECTION AGAINST THESE IMPORTS (REF B). IN RESPONSE, THE COMMISSION ANNOUNCED ITS INTENTION TO EXAMINE THE ISSUE. SINCE THEN, THIS ISSUE HAS CREPT INTO THE SPEECHES AND DISCUSSIONS OF COMMISSION AND OTHER EC SPOKESMEN WITH INCREASING REGULARITY. AS PART OF THE 1978/79 PRICE PACKAGE ADOPTED IN MAY, THE COMMISSION COMMITTED ITSELF TO ACCELERATE ITS EXAMINATION OF THE FEEDGRAIN SUBSTITUTES PROBLEM WITH A VIEW TOWARDS "THE RAPID ADOPTION OF A DECISION ON ALL MEASURES WHICH MIGHT BE DEEMED NECESSARY" (REF C).

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3. THE PRINCIPAL FEEDGRAIN SUBSTITUTES IMPORTED BY THE COMMUNITY, IN ORDER OF IMPORTANCE, ARE: MANIOC (CXT 07.06), BRAN AND OTHER MILLING RESIDUES (CXT 23.02A), CORN GLUTEN FEED (CXT 23.03A), FRUIT WASTE (I.E., CITRUS PULP -- CXT 23.06A) AND SUGAR BEET PULP (CXT 23.03BI). RELATIVELY SMALL QUANTITIES OF BREWERS WASTE (CXT 23.03BII) AND SCCELLANEOUS FEEDS OF VEGETABLE ORIGIN (CXT 23.06B) ARE ALSO IMPORTED. EXCEPT FOR MILLING RESIDUES FALLING UNDER CXT 23.02A, WHICH ARE SUBJECT TO VARIABLE LEVIES, ALL OF THE ABOVE PRODUCTS BENEFIT FROM GATT BOUND DUTIES. MANIOC IS SUBJECT TO A LEVY WHICH CANNOT EXCEED 6 PERCENT WHILE IMPORTS OF PRODUCTS ENTERING UNDER CXT 23.06B FACE A BOUND DUTY OF 2 PERCENT; IMPORT DUTIES ON THE OTHER PRODUCTS LISTED ABOVE ARE BOUND AT ZERO.

4. THE BASIC EC RULES GOVERNING THE CALCULATION OF THE IMPORT LEVY ON BRAN AND OTHER MILLING RESIDUES (CXT 23.02A) WERE LAID DOWN IN COUNCIL REGULATION 2744/75 (REF D), AS AMENDED BY REGULATION NO. 832/76. THE VARIABLE COMPONENT OF THE LEVY IS CALCULATED BY ADDING TOGETHER THE AVERAGE LEVY APPLICABLE TO SOFT WHEAT,

BARLEY AND CORN IN THE FIRST 25 DAYS OF THE PRECEDING
MONTH AND MULTIPLYING THAT TOTAL BY A COEFFICIENT FIXED
IN THE ANNEX TO REGULATION NO. 2744/75. THESE COEFFIC-
IENTS, ALONG WITH THE IMPORT LEVIES CURRENTLY IN EFFECT
FOR THESE PRODUCTS, ARE SHOWN BELOW:

IMPORT LEVY

CXT NO. DESCRIPTION COEFFICIENT (U.A./M.T.)

23.02AIA MILLING RESIDUES OF
CORN OR RICE, STARCH
CONTENT LESS THAN
35 PERCENT-----0.10-----23.25

IB MILLING RESIDUES OF
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IIA MILLING RESIDUES OF
OTHER CEREALS (WHEAT),
STARCH CONTENT LESS
THAN 28 PERCENT-----0.08-----18.60

IIB MILLING RESIDUES OF
OTHER CEREALS (WHEAT),
STARCH CONTENT 28
PERCENT OR MORE-----0.32-----74.40

OUT OF 2.3 MILLION TONS OF MILLING RESIDUES IMPORTED BY
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THE EC IN 1976, OVER 1.8 MILLION TONS ENTERED UNDER CXT
23.02AII.

5. THE COMMISSION HAS CALCULATED THAT IMPORTS OF FEED-
GRAIN SUBSTITUTES LISTED IN PARA 3 AMOUNTED TO 7.1
MILLION TONS IN TERMS OF BARLEY EQUIVALENT IN 1976, UP
FROM 4.4 MILLION TONS IN 1974 (REF E). A FURTHER SUB-
STANTIAL INCREASE APPARENTLY OCCURRED IN 1977. WHILE
THESE FIGURES ARE IMPRESSIVE, IT SHOULD BE REMEMBERED THAT
NET EC IMPORTS OF FEEDGRAINS STILL AMOUNTED TO NEARLY 11
MILLION TONS IN 1977/78. FROM AN OVERALL POINT OF VIEW,
IT MIGHT APPEAR THAT THE SITUATION IS ESSENTIALLY A
TRADE-OFF BETWEEN TWO DIFFERENT CATEGORIES OF IMPORTS --
WHICH SHOULD GIVE THE EC LITTLE CAUSE FOR CONCERN. THERE
ARE, HOWEVER, A NUMBER OF FACTORS WHICH EXPLAIN THE
CONCERN GENERATED BY THIS ISSUE IN THE COMMUNITY:

A. TO THE EXTENT THAT THE FEEDGRAIN SUBSTITUTES
REPLACE IMPORTED FEEDGRAINS, THE EC LOSES SUBSTANTIAL
REVENUE FROM LEVIES COLLECTED ON THE LATTER.

B. AN INCREASE IN SELF-SUFFICIENCY IN GRAINS, AND,
CONSEQUENTLY, A WORSENING OF DISPOSAL PROBLEMS WITH
BARLEY AND SOFT WHEAT, IS WIDELY ANTICIPATED BY EC
EXPERTS.

C. SOME COMMISSION OFFICIALS SAY THAT MANIOC TENDS
TO REPLACE BARLEY RATHER THAN CORN AND THUS PUTS PRESSURE
ON DOMESTIC BARLEY PRICES. THEY SAY THAT BARLEY IS AT A
DISADVANTAGE IN MANY INTENSIVE FEEDS BECAUSE ITS HIGH
CELLULOSE CONTENT MAKES IT DIFFICULT TO GET THE NECESSARY
CONCENTRATION OF ENERGY. THE TREND TOWARDS GREATER EC
PRODUCTION OF WINTER BARLEY, WHICH HAS LOWER ENERGY AND
HIGHER CELLULOSE CONTENT, HAS WORSENERED THIS PROBLEM.

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D. LARGE IMPORTS OF MANIOC AND OTHER GRAIN SUBSTITUTES BY THE BENELUX COUNTRIES AND GERMANY HAS GIVEN THESE COUNTRIES A CERTAIN ADVANTAGE IN THE PRODUCTION OF LIVESTOCK PRODUCTS. THIS ADVANTAGE IS INCREASED BY THE FUNCTIONING OF THE MCA SYSTEM. MCA'S ARE CALCULATED FOR LIVESTOCK PRODUCTS ON THE BASIS OF HIGH LEVELS OF GRAIN USAGE. WHERE THIS HIGH LEVEL OF USAGE DOES NOT OCCUR, THE LEVEL OF THE MCA'S TENDS TO BE TOO HIGH. AS A RESULT OF STEADY PRESSURE BY THE FRENCH, SOME CHANGES HAVE BEEN MADE IN MCA'S FOR LIVESTOCK PRODUCTS, PARTICULARLY PORK. HOWEVER, THE FRENCH STILL FEEL THAT THEIR LIVESTOCK INDUSTRY IS BEING HURT BY THIS SITUATION.

E. THERE IS STILL CONSIDERABLE SCOPE FOR INCREASING UTILIZATION OF MANIOC AND OTHER FEED SUBSTITUTES. THUS FAR, THESE PRODUCTS HAVE BEEN USED ALMOST SOLELY IN GERMANY AND THE BENELUX COUNTRIES; HOWEVER, THEIR USE IS NOW BEING EXPLORED IN THE OTHER EC COUNTRIES, PARTICULARLY IN THE UK WHERE GRAIN PRICES HAVE ONLY RECENTLY BEEN BROUGHT UP TO EC LEVELS.

F. INCREASED USE OF MANIOC, BECAUSE OF ITS LOW PROTEIN CONTENT, RESULTS IN GREATER USE OF SOYBEAN MEAL AND SIMILAR PROTEIN FEEDS; 1977 IMPORTS OF MANIOC ARE SAID TO HAVE GENERATED ADDITIONAL EC CONSUMPTION OF ABOUT 760,000 TONS OF SOYBEAN MEAL. THIS RELATIONSHIP WAS POINTED OUT IN THE FRENCH NOTE TO THE COMMISSION (REF B). THUS, ON THE PART OF SOME, AN ATTACK ON FEEDGRAIN SUBSTITUTES MAY BE AN INDIRECT WAY OF GETTING AT THE "TRADE IMBALANCE" IN PROTEINS.

6. DUE TO THE ABOVE FACTORS, A GREAT DEAL OF PRESSURE TO TAKE ACTION ON FEEDGRAIN SUBSTITUTES IS BEING EXERTED. THE FOLLOWING PARAGRAPHS ASSESS THE POSSIBILITY OF SUCH ACTION.

7. BRAN AND MILLING RESIDUES.

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THE COMMISSION HAS BEEN EXAMINING THE POSSIBILITY OF INCREASING IMPORT LEVIES ON BRAN AND MILLING RESIDUES SINCE AT LEAST MARCH 1978 (REF F). RECENT CONTACTS WITH

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COMMISSION OFFICIALS IN THE GRAIN DIVISION, AS WELL AS
OUR GENERAL ASSESSMENT OF THE SITUATION, LEAD US TO
BELIEVE THAT IT IS HIGHLY LIKELY THAT THE COMMISSION WILL
INCREASE IMPORT LEVIES ON WHEAT BRAN AND MILLING RESIDUES
IN LATE SEPTEMBER ALONG THE LINES SUGGESTED IN REF F.
THIS IS DUE NOT SO MUCH TO THE THREAT POSED BY IMPORTS OF
THESE PRODUCTS (ALTHOUGH THEY ARE QUITE IMPORTANT) AS
SIMPLY BY THE FACT THAT THEY PRESENT THE EASIEST TARGET
IN THE FEEDGRAIN SUBSTITUTES AREA. THEY ARE ALREADY
SUBJECT TO THE VARIABLE LEVY SYSTEM AND THERE IS NO GATT
BINDING ON THEM. MOREOVER, AS DISCUSSED BELOW, CERTAIN
CHANGES IN THE CALCULATION OF THE LEVY CAN BE MADE BY THE
COMMISSION WITHOUT COUNCIL APPROVAL. FINALLY, AS NOTED
IN REFS H AND I, PRESSURE IS BEING EXERTED BY THE
DOMESTIC MILLING INDUSTRY TO INCREASE IMPORT LEVIES ON
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THESE PRODUCTS.

8. COMMISSION OFFICIALS (DG-VI) TELL US THAT FOUR
POSSIBILITIES ARE BEING DISCUSSED:

A. THE INTRODUCTION OF A FIXED COMPONENT TO THE
LEVY.

B. USE OF ONLY THE WHEAT LEVY IN DERIVING THE LEVY
FOR PRODUCTS ENTERING UNDER CXT 23.02AII; CURRENTLY THE
AVERAGE OF LEVIES FOR WHEAT, BARLEY AND CORN ARE USED.

C. AN UPWARD ADJUSTMENT IN THE COEFFICIENTS USED IN
CALCULATING THE LEVY FOR CXT 23.02AIIA (SEE PARAGRAPH 4).

D. RECLASSIFICATION OF PRODUCTS FROM CXT 23.02AIIA
TO 23.02AIIIB. AS THE COEFFICIENT FOR THE LATTER TARIFF
CATEGORY IS 0.32, C AND D AMOUNT TO ESSENTIALLY THE SAME
THING.

AS REGULATION NO. 2744/75 IS A COUNCIL REGULATION, ANY
CHANGES IN IT WOULD NORMALLY REQUIRE COUNCIL APPROVAL.
HOWEVER, ARTICLE IV OF THAT REGULATION SPECIFICALLY
AUTHORIZES THE COMMISSION (USING MANAGEMENT COMMITTEE
PROCEDURE) TO MAKE CHANGES IN THE COEFFICIENTS OR IN THE
RATES CONCERNING STARCH CONTENT WITH RESPECT TO PRODUCTS
FALLING UNDER 23.02A. THUS, OF THE ALTERNATIVES
DISCUSSED IN THE PRECEDING PARAGRAPH, A OR B WOULD REQUIRE
COUNCIL APPROVAL. C AND D COULD BE EFFECTED BY THE
COMMISSION ITSELF. CONSEQUENTLY, IT APPEARS TO US MUCH
MORE LIKELY THAT THE COMMISSION WILL PURSUE THE LATTER
TWO ALTERNATIVES.

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9. MANIOC.

WE ALSO FEEL THAT SOME ACTION WILL EVENTUALLY BE
TAKEN AGAINST IMPORTS OF MANIOC. MANIOC IS REALLY THE
CRUX OF THE SO-CALLED "GRAIN SUBSTITUTES PROBLEM" - THE
ITEM OF GREATEST CONCERN TO THE EC. THIS IS TRUE, NOT
ONLY BECAUSE OF THE QUANTITIES INVOLVED, BUT ALSO BECAUSE
MANIOC, UNLIKE MOST OF THE OTHER SUBSTITUTES, IS NOT A
BY-PRODUCT, AND ITS PRODUCTION CAN BE READILY EXPANDED.
EC IMPORTS OF MANIOC TOTALLED ABOUT 3.8 MILLION TONS IN
1977. IMPORTS THIS YEAR ARE RUNNING CONSIDERABLY HIGHER
THAN PREDICTED EARLIER; WE RECENTLY HEARD AN ESTIMATE
OF 5 MILLION TONS (BARLEY EQUIVALENT).

10. COMMISSION OFFICIALS SAY THAT NEAR THE END OF
SEPTEMBER, THEY WILL SUBMIT A REPORT TO THE COUNCIL (IN
RESPONSE TO THE COMMITMENT UNDERTAKEN IN MAY --

PARAGRAPH 2). WHILE THEY CLAIM THAT IT IS TOO EARLY TO GIVE ANY INDICATION AS TO WHAT RECOMMENDATIONS MIGHT BE MADE, THEY SAY THAT THE REPORT WILL FOCUS HEAVILY ON MANIOC.

11. IN OUR VIEW, THE COMMISSION WOULD PREFER TO NEGOTIATE SOME SORT OF VOLUNTARY RESTRAINT AGREEMENT ON MANIOC WITH THAILAND AND POSSIBLY SOME OF THE OTHER LDC SUPPLIERS. AS REPORTED IN REF J, THE THAI GOVERNMENT ALREADY APPEARS TO HAVE GIVEN AN INFORMAL COMMITMENT TO THE COMMUNITY TO SLOW DOWN MANIOC EXPORTS TO THE EC-9 IN THE FUTURE. THIS COMMITMENT IS NOT REGARDED AS ADEQUATE BY DG-VI AND BY THOSE MEMBER STATES PRESSING FOR ACTION IN THIS AREA -- A POINT OF VIEW STRENGTHENED BY THE CONTINUING INCREASE IN EC MANIOC IMPORTS.

12. IF BILATERAL ARRANGEMENTS ARE NOT POSSIBLE, THE EC MAY THEN SEEK TO DECONSOLIDATE THE GATT BINDING ON MANIOC. SINCE THE MAJOR SUPPLIER, THAILAND, IS NOT A MEMBER OF LIMITED OFFICIAL USE

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GATT, IT MAY BE THAT LEGALLY THIS WOULD NOT BE TOO DIFFICULT OR EXPENSIVE, ALTHOUGH POLITICALLY IT WOULD BE A SERIOUS PROBLEM GIVEN THE EXPANDING TIES BETWEEN THE COMMUNITY AND THE SOUTHEAST ASIAN COUNTRIES, INCLUDING

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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THAILAND. WASHINGTON OR GENEVA MAY WISH TO EXAMINE THE
LEGAL ASPECTS OF THIS POSSIBILITY.

13. WE DO NOT, HOWEVER, EXPECT ANY DECISION ON MANIOC
TO BE REACHED QUICKLY. THERE WILL BE STRONG OPPOSITION
TO ANY SUCH MOVE WITHIN THE COMMISSION ON THE PART OF
THOSE CONCERNED WITH RELATIONSHIPS WITH DEVELOPING
COUNTRIES (PRIMARILY DG-VIII AND DG-I). ALSO, WE WOULD
EXPECT THAT THE MEMBER STATES WHOSE LIVESTOCK INDUSTRIES
BENEFIT FROM MANIOC IMPORTS WILL TRY TO STONEWALL ON
THIS ISSUE EVEN IF THEY ARE UNWILLING TO ATTACK IT
DIRECTLY. A DG-I (EXTERNAL RELATIONS) OFFICIAL TOLD US
THAT EVEN IF THE COMMISSION SHOULD ULTIMATELY PROPOSE
RESTRAINTS ON EC IMPORTS OF MANIOC, SUCH ACTION WOULD
LIKELY BE BLOCKED IN THE COUNCIL BY THE FRG PERHAPS
WITH THE SUPPORT OF DENMARK.

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14. OTHER FEEDGRAIN SUBSTITUTES.

WE AGREE WITH THE REFS H AND I, THAT THERE IS SOME
DANGER THAT THE EC MAY TRY TO PUT IMPORT RESTRICTIONS ON
THE OTHER FEEDGRAIN SUBSTITUTES (E.G., CORN GLUTEN FEED,
CITRUS PULP, SUGAR BEET PULP). THERE ARE OBVIOUSLY
STRONG FORCES IN THE COMMUNITY SEEKING TO SEAL ANY
"HOLE" THEY PERCEIVE IN THE CAP. MOREOVER, A GLOBAL
APPROACH TO THE FEEDGRAIN SUBSTITUTES PROBLEM WOULD HAVE
PRESENTATIONAL ADVANTAGES; IN PARTICULAR, IT WOULD PRO-
BABLY MAKE IT EASIER TO SELL AN ARRANGEMENT ON MANIOC
TO THE LDC'S. NEVERTHELESS, WE FEEL IT IS UNLIKELY THAT
THE EC WILL TAKE IMPORT RESTRICTIVE ACTION ON THESE
PRODUCTS. IMPORTS OF THESE PRODUCTS ARE NOT REALLY THAT
LARGE IN RELATION TO EC FEED REQUIREMENTS AND, AS MOST
OF THEM ARE BY-PRODUCTS, THEIR PRODUCTION CANNOT BE
READILY EXPANDED. THEY DO NOT POSE THE SAME SORT OF
THREAT TO THE EC SYSTEM THAT MANIOC DOES. THERE ARE
GATT BINDINGS ON ALL OF THESE PRODUCTS AND THE U.S. (THE
PRINCIPAL SUPPLIER OF CORN GLUTEN FEED AND CITRUS PULP)
COULD MAKE IMPAIRMENT OF THESE BINDINGS VERY COSTLY TO

THE COMMUNITY. ONE IMPORTANT QUALIFICATION SHOULD BE MADE TO THE ABOVE ASSESSMENT. WHILE WE DO NOT EXPECT THE EC TO MOVE AGAINST PRODUCTS WHICH ARE NOW BEING IMPORTED IN SIGNIFICANT QUANTITIES, THEY MAY WELL CONSIDER DECONSOLIDATING THE BINDINGS ON THOSE TARIFF CATEGORIES FOR WHICH THE TRADE IS STILL VERY SMALL, THEREBY MINIMIZING FUTURE PROBLEMS. THIS APPROACH WOULD AVOID EXPENSIVE GATT COMPENSATION.

15. RECOMMENDATIONS: MISSION RECOMMENDS THAT USG MAKE REPRESENTATION BOTH TO THE COMMISSION AND THE MEMBER LIMITED OFFICIAL USE

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STATES EXPRESSING CONCERN ABOUT THE RUMORED INCREASES IN IMPORT LEVIES ON MILLING RESIDUES. AT THE SAME TIME, WE SHOULD REMIND COMMISSION AND MEMBER STATE OFFICIALS OF OUR GATT BINDINGS ON MANY OF THE SO-CALLED GRAIN SUBSTITUTES IN VIEW OF CONTINUING AGITATION FOR IMPORT RESTRICTIONS ON THESE PRODUCTS. WE SHOULD POINT OUT THAT SUCH ACTION WOULD BE SINGULARLY INAPPROPRIATE IN THIS LAST PHASE OF THE MTN.

16. IN PROTESTING AGAINST THE RUMORED CHANGES IN THE LEVY ON BRAN, WE ARE, OF COURSE, HINDERED BY THE ABSENCE OF A GATT BINDING ON THIS PRODUCT. WE MIGHT, HOWEVER, ARGUE THAT THE PROPOSED ACTION WOULD DAMAGE OR ELIMINATE OUR TRADITIONAL TRADE IN MILLING RESIDUES. WE MIGHT ALSO QUESTION THE NEED FOR SUCH MEASURES IN VIEW OF THE CONTINUING EC DEFICIT IN ANIMAL FEED. EVEN IF OUR REPRESENTATION ON MILLING RESIDUES IS NOT SUCCESSFUL, IT WILL STILL SERVE TO REINFORCE EC AWARENESS OF U.S. TRADE INTERESTS IN THE GRAIN SUBSTITUTE AREA. WE THINK IT WILL STRENGTHEN THE POSITION OF THOSE, PARTICULARLY WITHIN THE COMMISSION, WHO OPPOSE RESTRICTIVE ACTION IN THIS AREA.

17. MISSION SUGGESTS, HOWEVER, THAT WE DO NOT HIT THE MANIOC ISSUE HEAD-ON. THE POSSIBLE EFFECTS OF RESTRAINTS ON MANIOC IMPORTS ON U.S. TRADE ARE RATHER COMPLICATED AND WE DO NOT FEEL WE HAVE MUCH TO GAIN BY EMBROIDERING OURSELVES IN WHAT IS ESSENTIALLY AN LDC CONCERN. SUCH RESTRAINTS WOULD TEND TO REDUCE SOYBEAN MEAL EXPORTS, BUT WOULD, ON THE OTHER HAND, TEND TO INCREASE EXPORTS OF FEEDGRAINS AND OTHER GRAIN SUBSTITUTE PRODUCTS.

18. MISSION OFFICERS HAVE APPOINTMENT WITH ANDRE NAMUR, SECRETARY GENERAL OF FEFAC ON MONDAY, AUGUST 21.
HINTON

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NOTE BY OC/T: SECTION 3 SERVICED; TO FOLLOW.

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